RECKITT & COLMAN HOLDINGS LIMITED

The Chairman's Statement

The Twelfth Annual General Meeting of Reckitt & Colman Holdings, Limited will be held at the Connaught Rooms, 15 Great Queen Street, London, W.C.2, on Friday, the 11th June, 1965, at 11.30 a.m.

The following is an extract from the Chairman's Statement in respect of the year ended January 2nd, 1965.

PERSONAL

Last year I told you that Mr. H. L. Knee, one of our senior directors, was making a good recovery from a serious illness. Later he suffered an unexpected relapse and died, peacefully, on October 10, 1964. Mr. Knee's long service to our group of companies is recorded in *D. R. C. H. Magazine* and it is right that tribute should be paid to the work he did in developing our business, especially in Europe, in the United States of America and in Reckitt's (Colours) Ltd. Although Mr. Knee had retired from whole time service, his knowledge and experience of our business was much valued by his colleagues who will remember him, as indeed will all who knew him, for his ability, his enthusiasm and his gift for friendship.

More recently, on March 19 this year, we heard of the death of Mr. A. M. Turner who retired from our board in May, 1958. Mr. Turner was an old Nugget servant and succeeded the late Mr. McLaren as chairman of Chiswick Products Ltd. in 1955. He died in his 80th year and will long be remembered for his devotion to his work and for his very understanding approach to all human problems.

RESULTS

The accounts now before you confirm the results forecast when our interim dividend was announced towards the end of 1964.

World sales increased by more than 7 per cent; this is a greater advance than was made in 1963. The Consolidated Trading Profit did not, however, increase in proportion and is, in fact, fractionally less than that recorded for 1963: £11,935,000 compared with £12,002,000. Earlier in 1964 it had been expected that both sales and profits would turn out better than those now reported because the year started well. Towards its end, however, political and economic uncertainties led to some slackening of trade in the United Kingdom and during the last quarter The R. T. French Co., our large subsidiary in the U.S.A., was paralysed by a ten week's strike. All was settled in due course but the loss in sales, profits and employee remuneration was considerable. So far as our consolidated trading profit is concerned it amounted to about £300,000.

The exchange of our food interests in France for a trade investment in Générale Alimentaire S.A., which I reported last year, has resulted in a lower 1964 trading profit by about £80,000. Our first dividend from G.A.S.A. will only be receivable in 1965.

FINANCE

THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

As I have already said, the consolidated trading profit for 1964 was £11,935,000 compared with £12,002,000 for 1963. Apart from the factors mentioned earlier there are no special items which might render a direct comparison misleading.

Competition, direct and indirect, is still keen; this and price control in several markets makes it ever more difficult to maintain profit margins despite the steady improvement of our manufacturing efficiency. I may add that we are proud of the productivity record of all our manufacturing centres and so is everyone who works at them.

The consolidated trading profit is arrived at after writing off depreciation and exchange losses. The former increases (£2,475,000 as compared with £2,245,000 in 1963) as our programme of capital expenditure continues but exchange losses were slightly less than in the previous year; they are kept as low as possible by a policy of borrowing locally in the less stable currencies but, of course, the interest payable for this form of insurance reduces other income.

The amount allocated to the Employees' profit-sharing scheme is £570,000. This is slightly less than was allocated last year because not every subsidiary is included in the scheme and it so happened that in 1964 some of the excluded companies increased their profits and some of the included subsidiaries did not. Following the change in the basis of the scheme authorized at last year's Extraordinary General Meeting, 31,020 ordinary shares were allotted to employees and we expect that, because more time for individual decisions is available this year, more people will want to take up shares this time despite the implications of the proposed capital gains tax.

Taxation required £5,793,000 after relief of £1,203,000 for foreign taxation, which itself cost £3,129,000.

The Finance Bill now before Parliament may have far-reaching effects on British industry and, in particular, on companies which have an international trade. I will comment only on the proposals which seem likely to affect us most, though there are others, notably those concerned with capital gains, which will certainly interfere with the necessary mobility of capital and will discourage the pioneering spirit on which the creation of new wealth depends. A corporation tax has not been uncommon abroad but the levels at which it and personal income tax are likely to be levied in the United Kingdom are especially serious for companies like ours which earn a substantial part of their profits outside the home country.

Over the last 50 years our companies have built up a fine international organization with substantial assets abroad, and through it we conduct more than 60 per cent of our business. The subsidiaries through which we conduct that trade are subject to taxation by the countries in which they operate, but under carefully negotiated double taxation treaties this foreign taxation has been offset against our United Kingdom income tax as well as profits tax, so that the same profits were only taxed above the combined United Kingdom rate if the foreign rate was the higher. This combined rate of United Kingdom company taxation has recently been 56½ per cent; the highest rate of corporation tax yet suggested is 40 per cent; in many of the important markets of the world company taxation is far higher than 40 per cent, yet the relief is to be limited to the corporation tax rate.

In face of a temporary balance of payments difficulty—however that was caused—it may be necessary to curb further overseas investment for the time being but this could have been done in a variety of ways other than by building into the United Kingdom tax structure a permanent brake on future enterprise abroad without which enterprise this country will, in the long term, fail. Moreover it is iniquitously inequitable to penalize past enterprise such as ours without which Britain would not be the creditor nation which she still is. To some extent this has been recognized by the promise of mitigating payments spread over a five-year period but adjustments to a trading organization such as we have are neither possible in that time nor desirable in the long run. Export incentives do not help with this problem for reasons which I deal with elsewhere. I may add that our Group "balance of payments" over the past five years has been favourable to the tune of over £33,000,000, having risen year by year to nearly £8,000,000 in 1964.

We have faced the economic, fiscal and political risks abroad and built a great business in good faith and for Britain's good; the risks to which we are now exposed at home by the proposed new tax structure could, when transitional payments cease, leave us, for retention in this business, at our present rates of profit and dividend, about three-quarters of a million pounds less than would be available under the system which has hitherto been in force.

DIVIDEND

As foretold in last year's statement, the directors decided in November, 1964, to increase the interim dividend to 7 per cent so as to make our two annual distributions more nearly equal. At the same time they implied that the profit available for distribution would differ but little from that available for 1963. The figure is in fact £5,421,000 compared with £5,441,000, and the directors accordingly recommend the payment of a 7 per cent final dividend, making the total distribution 14 per cent, the same as for 1963.

PROSPECTS

The forecasts and the reports we are receiving from our subsidiary companies both at home and abroad lead us to expect an increase in both sales and profits before tax during the current year. Recent months, however, have exposed us to a variety of economic and political hazards and there is nothing so unsettling to the prospect of business as a prolonged period of uncertainty. We can only hope that we shall not be faced with a continuance of these problems and that the national and international scenes become no more disturbed; then we shall be able to plan our world-wide interests with confidence not only for 1965 but thereafter.

CONSOLIDATED BALANCE SHEET

The capital employed by the Group increased by £6,811,000 during the year. Of this sum £417,000 is due to our revaluation of trade investments; the balance of £6,394,000 arose as to £2,987,000 from retained trading profits, £604,000 from capital profits, £2,376,000 from cash resources and £427,000 from other sources.

Expenditure during the year on properties, plant, machinery, &c., amounted to £3,542,000 compared with £4,435,000 in 1963. Excluding the cost of our offer for the outstanding shares in F. W. Hampshire & Co. Ltd., to which I refer later, we expect in 1965 to spend about £4,500,000 on the factory and office space needed to cope with the expansion of our sales and on necessary extensions of research facilities and employee amenities.

Trade investments are now divided for your information into those with a stock exchange quotation and those without one. Quoted investments are shown at market value instead of at cost while unquoted investments continue to be shown at cost or lower valuation. The increase in the total figure from £1,266,000 to £2,343,000 is due partly to this change in presentation and partly to the new holding in Générale Alimentaire S.A. The greater part of our other quoted investments is our holding in F. W. Hampshire & Co. Ltd., for the remainder of whose shares we have recently made a cash offer totalling £3,787,000. The outcome of this offer is unlikely to be known before this statement is in your hands but its acceptance has been warmly recommended by the Hampshire directors and we are satisfied that its success would be in the best interests of both their shareholders and ours.

It may be worth noting that the equity interest attributable to the ordinary shares is now £58,192,000 which is slightly more than twice the issued ordinary capital of £28,973,000.

THE COMPANY'S BALANCE SHEET

As usual the most important figure in the balance sheet is the £41,190,000 attributable to our interests in subsidiaries. As I said last year this a conservative figure both in the light of their earning power and of their underlying assets. The latter, excluding goodwill valued at £6,495,000, stand in these accounts at over £55,000,000.

The Council of the Stock Exchange, London, has recently compiled new rules and suggestions for the contents of the reports and accounts of companies whose shares are quoted on the London Exchange and my statement this year is influenced by them to some extent. The Council's intention is that shareholders should receive more information about their companies and should receive it more often. We have in the past tried to give as much useful information as possible to the Members of our Company and I am proud to tell you that last year we received "The Accountant's" award for the form and presentation of our Report, Accounts and Chairman's Statement for 1962. Our congratulations and thanks are due to our Finance Officer, our Secretary, their Staffs, our Auditors and all others who helped to secure this result. In considering how best to live up to our reputation we have borne in mind the fact that most of the Members of our Company are permanent investors as well as that an increasing proportion of the savings of the man in the street is being channelled through insurance companies, pension funds, unit trusts, &c., into the equity of companies like ours. It is right that those who administer such investments should have adequate and meaningful information on which to act and we endeavour to give it. When we announce the interim dividend for 1965 we intend to issue a statement giving the estimated results for the first half of that year. We expect such estimated results to be comparable with those for past and future half years without implying that results for the first half of a year are necessarily half the results for the full year.

TRADE

The business of our Group of Companies is to make and sell proprietary consumer goods for use in the households of the world. A wide range of individual lines is made and, for convenience sake, I recorded last year how sales of the various product groups were divided in total; the percentages have not varied appreciably and 7 per cent for colours, paints, varnishes, &c., is the only part which falls outside the general definition of our principal activity. Some of the subsidiaries engaged in this particular division of our business supply much of their output as raw materials for our consumer lines; none of them contributes as much as 5 per cent to our total sales or profits though they are important in their own sphere and are progressing well.

Geographically our sales are still spread much as they were when last I referred to this aspect of our trade and last year the proportions were roughly as follows: United Kingdom and Ireland 38 per cent, North America 27 per cent, South America 6 per cent, Australasia 8 per cent, Asia 5 per cent, Africa 8 per cent, Europe 8 per cent. In fact the sales we make abroad are worth £58 million of which £4 million are direct exports; in addition £2 million worth of semi-manufactured products and other supplies go from our home factories to our branches and subsidiaries overseas. Over the last 50 years we have taken the financial and political risks involved in building this great international business to cope with the recurring situation where import duties and controls made our home produced goods impossible to sell abroad. Had we not pursued this policy our very profitable trade, built originally on exports, would have been lost—almost certainly to foreign competitors.

The Reckitt & Sons Ltd. group of companies increased the total value of their sales, doing relatively better in the first three quarters than they did in the last quarter of the year.

Amongst the household lines marketed it is worth noting that although less starch is used in the home than was formerly the case, Robin is far more and more convenient forms has maintained its turnover well; that the sales of Harpic showed a satisfactory increase and Windolene also progressed, while to its success may now be added that of Tinkerbell, an additional brand, which was acquired during the course of the year. Floret insecticide and Haze air freshener, both presented in aerosol form, are also making steady progress. In the toiletries section Steradent continued its upward trend with a continuing switch to the more convenient tablets, while Nulon held its leading position among hand lotions. The new Goya perfume of *D. R. Collins Ltd.* was a success; Goya also for hair has held its position and further products were added to the Golden Girl range of cosmetics. In an expanding antiseptic market, Dettol improved its competitive position and made further progress, as did Disprin and its related analgesics. Sales of Scholl, the leading line of *Westminster Laboratories*, again improved.

Reckitt's (Colours) Ltd. had a good year, helped to some extent by a general rise in the world price of Ultramarine, its biggest output. During the course of 1965 it is expected that some of the new plant, on which much money has been spent, will come into operation. The partly owned *Cocker Chemical Company's* performance improved substantially and *Vitax Ltd.* also did better in the very competitive fertilizer and pesticide market.

Research by Reckitt & Sons Ltd. is on a considerable scale and it is elsewhere in the Group, and in the Hull pharmaceutical laboratories a range of compounds of wide and varying biological activity has been uncovered. Further exploration in this field is now being pursued jointly with Lederle Laboratories the pharmaceutical division of American Cyanamid.

J. & J. Colman Ltd. and its subsidiaries were able to increase their sales to a satisfactory degree without including post-acquisition sales from the two additions made during the year, namely *George Mason & Co. Ltd.* and the business of the *Bear Honey Co. Ltd.*

Competition within the food field has remained intense, a factor which tended to be blurred during the discussions which were initiated by the Ministry of Economic Affairs towards the latter part of the year. I am convinced that the housewife in this country enjoys the benefits of technology and skills second to none in the world, but she may not realise that it is only these skills which enable her to buy wholesome and convenient foods at prices which, generally speaking, are lower than in any other country.

Colman's Ready Mixed Mustard continues to make good progress and nourishment handsomely to the increase of total mustard sales. Its acceptance is spreading to a number of countries outside the United Kingdom which is as it should be. Not only has Robinson's baby food range been extended by the introduction of Sweet Corn Cereal, but a whole range of pre-cooked instant foods—the fruits of the work of our own research laboratory—were launched and found a ready acceptance. We plan to increase the range of these pre-cooked cereals and thus provide the mother with ample opportunities of timing the changes with both the main and the sweet course for her growing child. The southern part of the country enjoyed a more reasonable summer than that to which we have been accustomed in recent years, and consequently sales of soft drinks, despite the continuing pressures from purchase tax, rose markedly. We have been successful in making Robinson's Whole Orange a market leader alongside Robinson's Lemon Barley.

Joseph Farrow & Co. Ltd. of Peterborough found that weather conditions were not conducive to the sale of canned goods during the winter of 1964 nor did they find the sales of honey which is naturally more popular during a cold spell. With the acquisition of Bear Honey we are now providing the housewife with a wide range of different kinds of honey which will appeal to those with specialized tastes not catered for by Gale's, which remains a firm favourite in the country as a whole and is still the leader in this field.

During the year the activities previously carried out at Bingham House by Mellors, of Mid Sussex Jams, have been consolidated at Norwich, and after the acquisition of George Mason it also proved practicable to transfer production from one of their factories, which they had long since outgrown, to Norwich. The purchase of this company gave us a welcome opportunity of entering the thick sauce market in which the old established O.K. Sauce is a prominent performer. George Mason's chairman, Mr. Rex Cooper, has joined the Board of J. & J. Colman Ltd., where his long business experience is most welcome.

Chiswick Products Ltd. and its subsidiaries started the year well but were more affected than our other United Kingdom operating groups by the falling off in trade during the latter part of 1964. In the end total sales did not reach the high level of the previous year.

Cherry Blossom shoe polish still dominates its market and Bluwax, its more convenient development, is adding to its share. Shoe creams, white cleaners and other leather polishes suffered from one of the periodic blows which fashion deals; white and coloured shoes were "out". The floor polish market is not expanding and is being invaded by the new combined cleaners and polishers. These have their disadvantages but Mansion One-Two, Chiswick's superior version, is now being introduced. Sealy, our no-rub floor polish, is now a well established line. Min in its various forms continues to progress as a specialty furniture polish and Cardinal tile polish also sold better. The sales of Zip fire lighters, made by *Kay Brothers Ltd.*, improved both in total and in their share of the market. More would have no doubt been sold had the winter been severe enough to encourage the lighting of more fires; the quality of Zip has been much improved over the last two years and its acceptance on the Continent of Europe provided an interesting addition to our export trade.

Floor Treatments Ltd. did well both with consumable materials and with floor cleaning machines. The manufacture of Resco polishes has been transferred to the container division engineering works of Reckitt & Sons Ltd. in Hull and since the end of the year a majority shareholding has been secured in the *Progress* companies whose floor cleaning machines are made at Shannon in Ireland. Under the name *Progress Floor Treatment Ltd.* the United Kingdom businesses of this group of companies will be combined. In 1965 therefore the *Progress* companies will be subsidiaries of our Company instead of being associated with us, but I am glad to say that our German associates, Mauz & Pfeiffer, are still substantial shareholders and very welcome partners.

Sissons Brothers and Company Ltd. and the other subsidiaries in this group have, as a whole, recovered further from the difficult position in which they found themselves in 1962, but competition in the field of decorative paints remains intense. Multi-colour finishes continue to gain in popularity, and Portaflek is the established leader in this field. *Porter Paints Limited*, which confines its activities largely to industrial finishes, had another good year, while the Sissons overseas factories in Malaya and Trinidad also improved on their previous figures. The *St. Andrew's Wallpaper Company Ltd.* experienced some falling-off in demand towards the end of 1964 and its final results were slightly below those of the previous year. *Panelwood Limited* and *Cellulose Products Limited* of Aycliffe, co. Durham, whose acquisition I mentioned briefly last year, are living up to the hopes we then had for them and we are planning some integration of their activities with those of Sissons.

The R. T. French Co. again increased its turnover in the U.S.A. and would have had an excellent year but for the labour difficulties to which I have already referred. These not only interfered with progress but distorted the pattern of sales in that those products which relied largely on the Rochester factory, such as Mustard, suffered the worst check, while those that could be made elsewhere, in some cases at extra cost, did better. The Souderton plant, near Philadelphia, was also out of action for five weeks due to sympathetic picket lines though there was no dispute with the Unions there. A three year labour contract was finally signed in December and everyone was very glad the strike was over.

The U.S. market for our kind of goods, with the possible exception of pet supplies, is strong and expanding but competition is intense. However, so long as we had supplies we took good advantage of the conditions and you may be interested in some developments. The new dry sauce mixes which have been mentioned for the last two years have continued their progress and both their position in the stores and their popularity with the consumer now seem to be assured. The World's Fair opened in New York in 1964; French's was the official Mustard there and a lot of visitors were thus able to enjoy it. The potato harvest was a poor one and though all that we could do by good purchasing was done the increased raw material cost of one of our principal products had a noticeable effect and we will continue to do so at least until another crop is harvested. To some extent, increased warehouse facilities will cushion the effect of a possible recurrence of this misfortune and in any case further air-conditioned potato storage is likely to be needed in 1965 so that the increased demand for our products can be met by prolonging the manufacturing season.

During the year an opportunity arose to purchase a minority interest in Shelco Incorporated, the owners of an efficient, aerosol packed, oven cleaner called Idream which had already been introduced successfully into the eastern United States. The R. T. French Co. now has exclusive rights to market this product in the western third of the country and had commenced to do so towards the end of 1964. Reckitt & Colman (Overseas) Ltd. are interested in this venture outside the U.S.A. and Reckitt & Sons Ltd. may be too. A minority interest was also obtained in Le Normand, a company selling high-quality frozen meals ready for individual consumption, principally to the institutional trade.

Reckitt & Colman (Overseas) Ltd. had another good year. This company functions in two divisions—General and European—each under its own board. The General Division, embracing all overseas markets outside Europe and the United States, increased the sales for which it is responsible by 84 per cent over 1963. Our greatest development outside Britain has so far been in the English-speaking countries of the world which account for by far the larger part of our international trade. However, last year in the European Division turnover increased by 17 per cent though we recognize that there will be some years of expensive development before we can expect worthwhile results from our rapidly expanding sales in Europe.

In *Australia* Reckitt & Colman Pty. Ltd. had an excellent year. The expected economies following integration at our new factory near Sydney, to which I referred in my last statement, are now being realized and will be improved upon in 1965. We have a very fine business in Australia conducted by an able and energetic staff who are well equipped to take advantage of opportunities in this fast-growing Commonwealth. In *New Zealand* sales increased substantially and we are beginning to reap the benefit of integrated production at our new factory in Auckland.

Our *South African* subsidiaries had a very prosperous year in 1964 and achieved a handsome increase in sales over those of 1963. Gains were achieved in all types of products but the most spectacular were in household and food lines. During the year we doubled the accommodation in our factory near Johannesburg. In *Portuguese East Africa* we acquired a business called *Empresa Química de Mocambique Lda.*, of Lourenço Marques. This company will provide a good foundation for our business there and in Angola which has been suffering from restrictions on imports. *Rhodesia* and *Zambia* had a surprisingly good year considering the political and commercial uncertainties. We made satisfactory progress in Rhodesia and have now bought the factory which we previously leased in Salisbury where we have also erected a fine but modestly priced warehouse. We increased our business substantially in the northern territory, which is now independent as Zambia.

In *Canada* the general economy was buoyant in 1964. However, the household products side of our Canadian company is engaged in a particularly competitive field where, in spite of the best endeavours of our management, sales gains are difficult to achieve. On the food side, steady progress is being made, and this part of our business is being brought more into line with that of the R. T. French Co. so that we may derive the maximum benefit from our research in the United States and also from the overflow of American advertising into Canada.

In *South America* the past year has been a good one for our business and sales, even in terms of sterling, increased substantially. *Argentina* was the largest contributor though *Brazil*, *Chile* and *Peru* all did well and there were marginal increases in *Colombia*, *Uruguay* and *Venezuela*. In the latter three markets trading conditions have been difficult, due to various factors, not the least of which have been import restrictions. The foundations for the new factory in Peru will shortly be laid and extensions have been made to the factory in Santiago. Despite continuing currency problems, especially in Brazil, South America continues to be a very promising area for our business and its potential in the years to come should be great.

India has had a difficult year economically as well as politically. Against this background our management in Calcutta have done well to increase sales to a new record, but the net return to our shareholders remains very small because of the high rates of Indian taxation. *Pakistan* has had a year of continuing political stability and substantial economic growth. Our company has increased its sales satisfactorily and now has adequate stocks of raw materials for further expansion. It has become necessary for us to build a small ultramarine factory at Korangi, just outside Karachi, which will be capable of supplying the entire needs of the country. *Ceylon* suffered from political turmoil and financial uncertainty, in spite of which we achieved a modest increase in sales.

Europe, as I have already mentioned, is being tackled energetically and much is being spent there in development. *France* is still our best European market, but our results suffered in 1964 from rising costs combined with strict price control which prevented fair price increases. Last year was one of change in our French business as we transferred Savora liquid mustard to our friends, Générale Alimentaire S.A. of Dijon, in return for a good though relatively small percentage equity holding in what is now the largest quoted food company in France. In *Germany* the Heine-Jensen food business made further excellent progress and after about three years of introductory work seems likely to become profitable in 1965. In the household field we are still at the stage of experimental and introductory marketing. In *Belgium* and *Holland* we had a satisfactory year in spite of intense competition but, in *Denmark*, we moved from a rented factory to our new building at Bröndbyerne on the outskirts of Copenhagen with the inevitable effect on costs caused by such a disturbance. I had the pleasure of opening the new factory in September and can tell you that the machinery and layout are excellent. In *Spain* the year's results were satisfactory and we are looking forward to more rapid progress as a result of the increased prosperity of the country. We also made good progress in *Italy* and are establishing our own organization in *Switzerland* in order that we may develop our trade in that wealthy market.

We continue to believe that the European Common Market and the much smaller European Free Trade Association both have good prospects of development and that we must do our best to develop our trade in territories of such rapidly growing importance where the prospects of profitable and secure trading are so much better than they were before the wars. We still hope for a closer association between Britain and the European market, preferably through the coordination of the two European trading blocs, since we are sure that this would be for the good both of this country and of our company. If Britain does not become part of the major trading combination of Europe, she will be at a grave disadvantage compared with her chief competitors who have home markets of about 180 million people with all the benefits of mass production that such a market offers.

Our *Export trade* is now in the charge of *Reckitt & Colman (Export) Ltd.* This new company, established a year ago, has made a good start and will continue to concentrate upon this very important part of our overseas trading. Despite the congestion and delays at the main United Kingdom ports during the second half of 1964, we have been able to secure an increase in exports of manufactured goods and also of semi-manufactured goods for use by our own companies and branches overseas. This is a satisfactory performance in the face of increasing competition and the need, which I must unfortunately continue to emphasize, to manufacture in more and more countries where the only alternative would be to lose to competitors the trade we established by energetic export selling. Because of the natural desire of developing nations to protect their secondary industries we are now forced to manufacture in no less than 35 countries overseas. No export incentives which can be offered by a United Kingdom Government, helpful though they may be, can be effective against the import barriers which compel us to make our goods locally or lose our trade. In East Africa, for example, we are supplying part of our trade through local manufacturing arrangements established in Nairobi and we plan to transfer them at a later date to our own newly acquired factory, while the one set up in Costa Rica just over a year ago to cater for some of the needs of the Central American Common Market has made a good start and we have now found it necessary to establish a plant in Ghana to protect and develop our trade in that part of West Africa.

DIRECTORS AND STAFF

I have already referred to the loss of Mr. H. L. Knee from amongst the body of our Directorate; I am now glad to report that Mr. R. L. de Chazal was elected to our Board on February 1, 1965. He retires at the General Meeting and his re-election stands to be proposed.

Louis de Chazal joined Reckitt & Sons Ltd. in 1928 from Cambridge with a degree in economics and modern languages (hons.). In due course he became secretary of the first Research and of the Sales and Advertising Committees but was posted in 1939 as assistant to our then general manager in Calcutta—from which headquarters our trade over the whole of the Indian continent was controlled. In 1941 he was commissioned in the Indian army but was released, at our request, in 1945 to become our Local Director in India. He guided our Indian business through the unpleasantness of partition and through a period of rapid expansion which included the building of our large factory at Behala and the opening of new offices in Calcutta. He then came home in 1953 to join the Board of Reckitt & Colman (Overseas) Ltd. Our fast developing European trade has been his more recent responsibility. Louis de Chazal is a fine linguist, fluent in more languages than he will admit, for, as in other walks of life, he does not claim success unless he is word perfect.

By this time next year I shall be more than 65 years old and, in accordance with Company policy, I shall retire both from active management and from the Chairmanship of our Company. All being well your Directors intend to name Mr. B. N. Reckitt as my successor and they have already appointed him Deputy Chairman. At the same time Mr. A. M. Mason and Mr. G. M. Samuelson become Vice-Chairmen.

These appointments fit well the further slight modification of our control structure on which the Board has decided. This involves the splitting of our Executive committee into a United Kingdom Committee and an International Committee, each with the duty of advising the Board and of co-ordinating Company activity within the policy of the Board. Division was found desirable because problems at home and problems abroad are often not the same or need different emphasis, while the span of control of the single committee was found to be too wide.

Our thanks are due to all who serve the Company throughout the world for their past year's work. Each job well done, whether great or small, helps the Company to serve its Customers. The Company, its Members and its Employees, have one object—to satisfy our Customers, present and future. If we do that they will buy our goods and we shall succeed; if the service we give or the quality of our goods is not worth the price asked for them, our Customers will desert us. So far we have a success story of which we can all be proud but that is only true because of the constant, loyal care for which I now say "Thank you".

Reckitt & Colman Holdings Limited.
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